

**40-6-14. Fee on oil and gas -- Payment of fee -- Collection -- Penalty and interest on delinquencies -- Payment when product taken in-kind -- Interests exempt.**

- (1) (a) There is levied a fee as provided in Subsection (1)(b) for oil and gas:
  - (i) produced; and
  - (ii) (A) saved;
  - (B) sold; or
  - (C) transported from the field in Utah where the oil or gas is produced.
- (b) The fee imposed under this Subsection (1) is equal to the product of:
  - (i) .002; and
  - (ii) the value of the oil or gas determined in accordance with Section 59-5-103.1.
- (2) (a) The State Tax Commission shall administer the collection of the fee, including any penalties and interest.
- (b) The money collected shall be deposited in the Oil and Gas Conservation Account created in Section 40-6-14.5.
- (c) Time periods for the State Tax Commission to allow a refund or assess the fee shall be determined in accordance with Section 59-5-114.
- (3) (a) Each person having an ownership interest in oil or gas at the time of production shall be liable for a proportionate share of the fee equivalent to that person's ownership interest.
- (b) As used in this section "ownership interest" means any:
  - (i) working interest;
  - (ii) royalty interest;
  - (iii) interest in payments out of production; or
  - (iv) any other interest in the oil or gas, or in the proceeds of the oil or gas, subject to the fee.
- (4) (a) The operator, on behalf of the operator and any person having an ownership interest in the oil or gas, shall pay the fee to the State Tax Commission:
  - (i) quarterly; and
  - (ii) as provided in Subsections (4)(b) and (c).
- (b) For purposes of Subsection (4)(a), the quarterly fee payments are due as follows:
  - (i) for the quarter beginning on January 1 and ending on March 31, on or before June 1;
  - (ii) for the quarter beginning on April 1 and ending on June 30, on or before September 1;
  - (iii) for the quarter beginning on July 1 and ending on September 30, on or before December 1; and
  - (iv) for the quarter beginning on October 1 and ending on December 31, on or before March 1 of the next year.
- (c) The fee required by this section shall be reported to the State Tax Commission on forms provided by the State Tax Commission.
- (5) (a) Any fee not paid within the time specified shall:
  - (i) carry a penalty as provided in Section 59-1-401; and
  - (ii) bear interest at the rate and in the manner prescribed in Section 59-1-402.
- (b) (i) The fee, together with the interest, shall be a lien upon the oil or gas

against which the fee and interest are levied.

(ii) The operator shall deduct from any amounts due to the persons owning an interest in the oil or gas, or in the proceeds at the time of production, a proportionate amount of the charge before making payment to the persons.

(6) (a) When product is taken in-kind by an interest owner who is not the operator and the operator cannot determine the value of the in-kind product, the operator shall:

- (i) report 100% of the production;
- (ii) deduct the product taken in-kind; and
- (iii) pay the levy on the difference.

(b) The interest owner who takes the product in-kind shall file a report and pay the levy on the interest owner's share of production excluded from the operator's report.

(7) This section shall apply to any interest in oil or gas produced in the state except:

- (a) any interest of the United States;
- (b) any interest of the state or a political subdivision of the state in any oil or gas or in the proceeds of the oil or gas;
- (c) any interest of any Indian or Indian tribe in any oil or gas or in the proceeds produced from land subject to the supervision of the United States; or
- (d) oil or gas used in producing or drilling operations or for repressuring or recycling purposes.

Amended by Chapter 244, 2004 General Session